



SACHI A. HAMAI  
Chief Executive Officer

## County of Los Angeles CHIEF EXECUTIVE OFFICE

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To: Supervisor Hilda L. Solis, Chair  
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From: Sachi A. Hamai  
Chief Executive Officer

### **FOURTH STATUS REPORT – AUDIT OF WORKERS' COMPENSATION THIRD-PARTY ADMINISTRATION SERVICES**

On October 22, 2013, the Board approved a recommendation to find that workers' compensation claims third-party administration (TPA) services can be performed more economically by independent contractors. At that time, the Board instructed the Chief Executive Officer (CEO) to incorporate audit criteria which includes any known criminal activity, negligence, and overall contract compliance when evaluating TPA performance. Three audit reports have been submitted to the Board outlining the finding of financial potential duplicate payment audits. CEO is requesting a six-month extension for the next audit report. This extension is requested to allow for the post-implementation testing of a new workers' compensation claims administration system.

On November 9, 2015, the ClaimsVision workers' compensation claims administration system moved into production status. ClaimsVision is a relational database that provides greater flexibility and portability. The move to ClaimsVision should allow the CEO to smoothly transition to a comprehensive Risk Management Information System in the future. Though the migration to ClaimsVision delays the ability to perform the duplicate payment transaction audit, the system contains multiple upgrades that will improve separation of duty requirements and TPA fiscal auditing.

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Such system upgrades include:

- Electronic records of each user processing a payment transaction request.
- Identification of payment transaction requests that may result in a duplicate payment at the time of authorization.
- Identification of payment transaction requests that exceed the user's authority level at the time of processing.
- Limitation menu privileges based on user groups.
- Direct interface with the County's eCAPS system.

#### **Continued TPA Monitoring**

The CEO continues to monitor TPA payment processing daily and utilize a variety of quality control mechanisms. Approval levels continue to require at least two authorized individuals to release a workers' compensation payment transaction. The authority levels are:

- Payments up to \$4,000 require one authorization and a separate individual to release the transaction;
- Payments exceeding \$4,000 require two authorizations and a separate individual to release the transaction;
- Payments exceeding \$5,000 require three authorizations and a separate individual to release the transaction;
- Payments exceeding \$7,500 require four authorizations and a separate individual to release the transaction; and
- Payments exceeding \$75,000 require five authorizations and a separate individual to release the transaction.

### **On-Site County Representatives**

Currently, six On-Site County Representatives (OSCRs) are headquartered at TPA facilities. These County employees perform various functions. Their payment transaction audit and review functions include the following:

- Reviewing and authorizing payment transaction requests exceeding \$7,500;
- Evaluating and authorizing payment transaction requests initiated by a Workers' Compensation Appeals Board (WCAB) order or award;
- Performing fiscal reconciliation of all claims resolved by WCAB indemnity order, WCAB indemnity award, or indemnity payment requests exceeding \$7,500;
- Identifying and recovering costs associated with penalties, excess costs, or overpayments caused by the contractor's actions or failures to act as defined in the contract; and
- Identifying and investigating payment transactions that are potentially fraudulent and notifying CEO Risk Management Branch when such are identified.

### **Fiscal Reconciliation Process**

The fiscal reconciliation process, or claim file balancing, requires OSCRs to evaluate the workers' compensation award or order and ensure the past, present, and future benefit stream comports to the Court award or order. This process requires a careful review of indemnity benefits owed and paid, benefits currently being paid, and payments that will be issued in the future ("cycled" or system-generated payments). The reconciliation process includes calculating savings caused by an ordered commutation of benefits. Workers' compensation claim files that do not balance are returned to the TPA for correction or reimbursement.

The CEO will provide the Board another audit report in July 2016.

If you have questions or would like additional information, your staff may contact Steven T. Robles, Assistant Chief Executive Officer/County Risk Manager, at (213) 351-5346.

SAH:JJ  
STR:AR:rn

c: Executive Office, Board of Supervisors  
County Counsel